

## Message Text

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ORIGIN EB-07

INFO OCT-01 EA-06 ISO-00 SSO-00 PM-03 L-02 INR-07 SS-15

INRE-00 /041 R

DRAFTED BY EB/AN:WBCOBB:TP

APPROVED BY EB/OA:MHSTYLES

EA/PHL - R. WILLNER

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O 161848Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA IMMEDIATE

C O N F I D E N T I A L STATE 086989

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: EAIR, RP

SUBJECT: CIVAIR: HOMECOMING FARE SUSPENSION

1. CAB IN 3-2 DECISION RECOMMENDS IMMEDIATE ONE YEAR  
SUSPENSION AND INVESTIGATION OF PHIL HOMECOMING FARES.  
BOARD ORDER IS FINAL UNLESS DISAPPROVED BY PRESIDENT  
WITHIN 10 DAYS. UNDER SECTION 801 OF FEDERAL AVIATION ACT  
PRESIDENT'S ACTION SHALL BE BASED ON FOREIGN POLICY  
CONSIDERATION.

2. AS EMBASSY AWARE BOARD ALLOWED FARES BECOME EFFECTIVE  
FROM MAY 10, 1974 TO NOVEMBER 28, 1974. CONTINUATION  
UNTIL FEBRUARY 29, 1976 FOR MORE THAN A YEAR BEYOND  
ORIGINAL EXPIRATION DATE IS SEEN AS FIRMLY IMBEDDING FARE  
IN CENTRAL PACIFIC FARE STRUCTURE WITHOUT SUPPORTABLE  
ECONOMIC JUSTIFICATION. IN BOARD VIEW CONTINUANCE OF  
FARE WITHOUT SUSPENSION PRIOR TO INVESTIGATION WOULD  
ESTABLISH PRECEDENT WHEREBY OTHER FOREIGN GOVERNMENTS  
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WOULD BE ENCOURAGED ORDER SIMILAR FARES TO FOSTER

INDIVIDUAL TOURISM INTERESTS. BOARD SEES SUCH A RESULT AS NEITHER COMPORTING WITH US INTERNATIONAL AIR TRANSPORT POLICY NOR OVERALL TRADE AND FOREIGN POLICY INTERESTS OF

THE US. TO EXTENT FARES GENERATE OUTFLOW OF TOURISTS WITHOUT SIGNIFICANT INCREASE OF INBOUND TRAFFIC THERE COULD BE UNFAVORABLE IMPACT ON BALANCE OF PAYMENTS. MOREOVER, WHILE MOST FARES IN A GIVEN MARKET AREA ARE ESTABLISHED THROUGH IATA MECHANISM, OTHER CARRIERS, INCLUDING US, SERVING ORDERING FOREIGN COUNTRIES WOULD BE FORCED FOR COMPETITIVE REASONS TO MATCH QUESTIONABLE GOVERNMENT-ORDERED FARES. RESULTANT REVENUE EROSION AND YIELD DIVERSION TO CARRIERS MAY ULTIMATELY LEAD TO PRESSURE WITHIN IATA TO INCREASE FARES IN ORDER MAINTAIN PROFITABILITY. THIS RESULTS IN HIGHER OVERALL FARE LEVELS FOR PASSENGERS TRAVELLING WITHIN MARKET AREA.

3. DISSENTING MEMBERS CITE TWO RECENT PRESIDENTIAL DECISIONS DISAPPROVING BOARD ORDERS SUSPENDING REDUCED FARES ON FOREIGN POLICY GROUNDS RELATING TO CONCERNS OVER WORLD WIDE INFLATION. ALSO NOTE THAT BOARD PREVIOUSLY DISMISSED COMPLAINT AGAINST HOMECOMING FARES, THAT PRESENT EXTENSION IS AT AN 8 PERCENT HIGHER LEVEL, THAT FARES WILL PRODUCE HIGHER REVENUE YIELD THAN SOME OTHER FARES WHICH BOARD HAS APPROVED AND THAT US FLAG CARRIERS HAVE BEEN EARNING ADEQUATE RETURN ON NORTH/CENTRAL PACIFIC OPERATIONS.

4. DEPARTMENT MUST SUBMIT OPINION TO WHITE HOUSE SOONEST. EMBASSY VIEWS RE FOREIGN POLICY IMPLICATIONS PROPOSED BOARD ACTION REQUESTED BY COB APRIL 17. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AIR FARES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 APR 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** RowellE0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**TAGS:** EAIR, RP, US, CAB  
**To:** MANILA  
**Type:** TE  
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